GOVERNMENT OF INDIA
POWER
LOK SABHA

UNSTARRED QUESTION NO:2158
ANSWERED ON:14.12.2004
CLOSRUE OF INDEPENDENT POWER PROJECTS IN AP
Owaisi Shri Asaduddin

Will the Minister of POWER be pleased to state:

(a) whether the Government of Andhra Pradesh has requested to take up the matter with Finance Ministry and Finance Institutions for early financial crunch and early closure of independent power projects in the State;

(b) if so, the details thereof and the reaction of the Union Government thereon;

(c) whether IDBI insists on three tier security mechanism at the time of such closure;

(d) if so, the details thereof;

(e) whether IDBI`s stand is against the concept of Memorandum of Agreement (MoA) to put this efforts at risk; and

(f) if so, the steps being taken to remedy the situation?

Answer

THE MINISTER OF POWER (SHRI P.M. SAYEED)

(a) : Yes, Sir.
(b) : Chief Minister, Andhra Pradesh had sought early financial closure of projects in Andhra Pradesh for the 10th Plan period in his letters to Union Finance Minister. In response, Government of Andhra Pradesh (GOAP) was requested to arrange for early fulfillment of the terms and conditions to enable Financial Institutions to disburse the loans. The following four gas based power projects in Andhra Pradesh have since achieved financial closure and are expected to be implemented in the 10th Plan period:

- 370 MW Vemagiri Power Project by M/s. Vemagiri Power Generation Limited.
- 445 MW Konaseema Power Project by M/s. Konaseema EPS Oakwell Power Limited.
- 220 MW Jegurupadu Combined Cycle Power Plant (CCPP) Extension by M/s. GVK Industries Ltd.
- 464 MW Peddapuram Power Project by M/s. Gautami Power Limited.

The above four projects have tied up the requisite financing for the projects from the Institutional lenders i.e. Industrial Development Band of India (IDBI), Power Finance Corporation, Infrastructure Development Finance Company, ICICI Bank etc.

(c) & (d) : IDBI have informed that they insist on a three-tier security mechanism consisting of:-

(i) Letter of Credit.

(ii) Escrow and

(iii) State Government guarantee at the time of Financial closure of power projects, where State Electricity Boards buy the power produced by the Independent Power Producers (IPPs).

(e) & (f) : IDBI have informed that the success of Memorandum of Agreement (MOA) in Andhra Pradesh (AP) was contingent upon AP Transco implementing reform based milestones and also submitting a credible Business Plan to the Financial Institutions. In a meeting convened by Secretary (Power) with Ministry of Finance, GOAP, AP Transco and IDBI on 13.05.2003, it was decided that GOAP together with AP Transco, IDBI and State Bank of Hyderabad should try to expand the relevant paras of the MOA to make it

mutually acceptable to them.